

# RESEARCH MATTERS

*Interim News from the Senate Research Center*

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## Developments in Federal Health Care Policy



This report discusses recent developments in federal health care policy and research. In particular, the report focuses on medication errors associated with the nationwide pharmacist shortage, the Children's Health Insurance Program (CHIP), and Medicare reimbursement problems.

### Shortage of Pharmacists Raises Medication Error Concerns

Legislation introduced in the United States House of Representatives addresses a growing concern among health professionals regarding the shortage of practicing pharmacists. H.R. 2173, sponsored by Jim McGovern (D-MA), would provide additional pharmacy scholarship opportunities, a reduced federal loan repayment program, and increased grant awards to pharmacy schools admitting additional students. A recent federal report, conducted by the Health Resources and Services Administration (HRSA), found that:

- There is an unprecedented demand for pharmacists and for pharmaceutical services that is not currently being met;
- evidence indicates the emergence of a shortage of pharmacists over the past two years; and
- factors contributing to the current shortage are not likely to abate in the near future without fundamental changes in pharmacy practice and education.

The demand for pharmacy services has raised concerns that medication errors will increase as pharmacists become increasingly overworked. The United States Department of Health and Human Services estimates that more than 7,000 deaths a year are attributable to medication errors. In 2000, the financial costs of medication errors, according to the Journal of the American Pharmaceutical Association, were more than \$177 billion. This is up from \$77 billion in 1995. The National Association of Boards of Pharmacy, which represents state pharmacy boards and works to strengthen safety standards, acknowledges that it is "difficult to determine how many of the errors are caused by pharmacists." North Carolina is the only state to have passed a law requiring pharmacies to report medication errors. A short supply of pharmacists may also hinder their ability to catch errors made by other health care providers. "The pharmacist often represents the last safety net," according to Mary Ann Koda-Kimble, dean of the School of Pharmacy at the University of California in San Francisco.

### Two Bills Address the Expansion of Medicaid and Children's Health Insurance Program (CHIP)

#### The FamilyCare Act of 2001 (S 1244)

The FamilyCare Act of 2001 (S 1244), sponsored by Senators Edward Kennedy (D, MA) and Olympia Snowe (R, ME), was introduced in July to expand the number of low-income families and individuals enrolled in Medicaid and CHIP. Under the act, states could elect to provide legal immigrants with Medicaid and CHIP coverage. Current federal law bars immigrants from Medicaid and CHIP eligibility for five years after their arrival. The bill would also extend eligibility to low-income women who are pregnant for the first time. A House version of the FamilyCare Act (H.R. 2630), sponsored by John Dingell (D, MI), would provide federal grant assistance for health care entities expanding preventive and primary care services to uninsured and underinsured populations.

#### The SCHIP Enhancement Act of 2001 (S. 1266)

The State Children's Health Insurance Program (SCHIP), passed by Congress in 1997, is a federal and state program designed to expand health care availability for millions of uninsured children throughout the United States. In Texas, there are over 430,000 children enrolled in the program.

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The SCHIP Enhancement Act of 2001 (S 1266), sponsored by Senator Hillary Rodham Clinton (D, NY), would expand CHIP-eligibility to children whose family income is 300 percent above the poverty level. Currently the program is restricted to families with income up to 200 percent of the poverty level. According to the legislation, three million uninsured children in the United States (over one of every four such children) have family incomes that exceed 200 percent of the federal poverty line. Estimates in the legislation maintain that 1.4 million of those uninsured children would be provided health insurance coverage if the income eligibility level for SCHIP were increased to 300 percent of the federal poverty line.

If passed, the FamilyCare Act and the SCHIP Enhancement Act could have some impact on the results of a study being conducted by the Texas Health and Human Services Commission (HHSC). H.B. 835, authored by Representative Kitchen and sponsored by Senator Moncrief, charged HHSC with studying the feasibility of a buy-in option for certain families into the CHIP program.

### **Medicare Reimbursement System Deemed Deficient in Federal Reports**

Two federal agencies have found deficiencies in the current Medicare reimbursement payment system for skilled nursing facilities. In a March report to Congress, the Medical Payment Advisory Commission (MedPAC), an independent Congressional advisory body, unanimously recommended that the Center for Medicare and Medicaid Services (CMS) abandon its efforts to fix the current Medicare payment system for skilled nursing facilities. According to MedPAC, the current system has three fundamental problems:

- It is based on a patient assessment instrument that does not collect the information needed to account for the needs of patients in skilled nursing facility care;
- the system is subject to a high rate of error in classifying patients; and
- the system is subject to manipulation.

The Health Care Finance Administration (HCFA), the federal agency in charge of administering the Medicare system, has contracted with the Urban Institute to conduct a four-year study to consider alternatives to the Medicare reimbursement system.

A skilled nursing facility is a facility that provides skilled nursing or rehabilitation services to a patient recovering after a hospital stay. Medicare may pay for skilled nursing facility care. A skilled nursing facility is different from an actual nursing home. The majority of nursing home care is directed towards long-term custodial care. Medicare can pay for a partial amount of care delivered in the nursing home environment when it is care similar to a skilled nursing facility. However, Medicaid can potentially pay for the entire nursing home care residency.

Medicare is a federally-funded program. It is the nation's largest health insurance program, which covers over 39 million Americans. Medicare provides health insurance to people age 65 and over, those who have permanent kidney failure, and certain people with disabilities.

Medicaid is a jointly funded federal-state health insurance program for certain low-income and needy people. It covers approximately 36 million individuals including children, the aged, blind, and/or disabled, and people who are eligible to receive federally assisted income maintenance payments. The majority of nursing home residents in Texas are funded through the Medicaid system.

In a separate but related study, the United States Department of Health and Human Services (HHS) found severe discrepancies between data gathered by HHS medical reviewers and nursing home personnel. The discrepancies are based on a clinical survey tool that is used to gauge an individual resident's clinical needs. The tool, known as the minimum data set (MDS), contains a series of essential clinical and functional status measures. It is collected on every resident in nursing homes at regular intervals during their nursing home stay regardless of the method of payment. Skilled nursing facilities are required to classify residents into one of 44 Resource Utilization Groups (RUGs) based on assessment data from the MDS. Reimbursement rates vary by RUGs category with more acute levels of care needs receiving higher reimbursement rates.

Some states (Colorado, Indiana, Kansas, Mississippi, Nebraska, Ohio, and Vermont) use RUGs for classifying residents into Medicaid reimbursement categories. A number of states, including Texas, are considering the RUGs classification as an alternative to the current approach to classifying nursing home residents. Texas currently uses the Texas Index for Level of Effort (TILE), with eleven levels, to assess the care needs of nursing home residents.

In its study, HHS used its own team of medical reviewers to analyze the MDS assessments of 640 nursing home residents.

Those reviewers were not allowed to examine the actual MDS scores from the nursing home. The HHS study found that 76 percent of the HHS medical review team scores and the actual clinical assessment team did not agree.

Based on this study, HHS recommended that the MDS elements be simplified, and that certain categories within the survey be more clearly defined. In addition, HHS recommended that there be enhanced training for facilities to ensure an accurate distribution of MDS and RUGs information.



—by David Thomason, SRC